

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COMMUNITY SCHOOLS

CLAY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
05/23/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs	Mark Shayotovich	07-01-14 to 06-30-18
Superintendent of Schools	Kimberly Tucker Jeffery Fritz	07-01-12 to 06-30-15 07-01-15 to 06-30-18
President of the School Board	Rob Miller Ronald Scherb Kevin Kumpf	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-18



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TO: THE OFFICIALS OF THE CLAY COMMUNITY SCHOOLS, CLAY COUNTY, INDIANA

This report is supplemental to our audit report of the Clay Community Schools (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 19, 2018

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions
Audit Finding: Material Weakness

Condition

The School Corporation had not separated incompatible activities related to receipts. There were no controls designed and implemented by the School Corporation for processing, recording, and reporting receipts. The School Corporation did not provide evidence of a review or approval process to ensure that material misstatements would have been prevented, or detected and corrected, in a timely manner.

Context

This was a systemic issue, which occurred throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control, including segregation of duties, over receipts.

Effect

The failure to establish controls could have enabled misstatements or irregularities with receipts to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

Condition

There were several deficiencies in the internal control system of the School Corporation as noted below.

1. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over Financial Reporting required the School Corporation to monitor and assess the quality of the system of internal control.
2. The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation did not properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source for the SEFA. One employee prepared and submitted the grant information without an oversight or review process to detect and correct errors before submission.

Context

The following errors were noted on the SEFA for fiscal year 2015:

Child Nutrition Cluster Commodities - Omitted	\$ 137,405
Adult Education - Basic Grants to States - Omitted	22,678
Disaster Grants - Public Assistance (Presidentially Declared Disasters) - Omitted	8,766
ESEA Title I 2014-2015 - Overstated	<u>101,450</u>
Fiscal Year 2015 Total	<u><u>\$ 270,299</u></u>

The following errors were noted on the SEFA for fiscal year 2016:

Child Nutrition Cluster Commodities - Omitted	\$ 145,194
Child Nutrition Discretionary Grants Limited Availability - Omitted	5,139
Adult Education - Basic Grants to States - Omitted	11,931
College Access Challenge Grant Program - Omitted	<u>6,000</u>
Fiscal Year 2016 Total	<u><u>\$ 168,264</u></u>

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management of the School Corporation had not established a proper system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and monitor controls enabled material misstatements of the SEFA to remain undetected. The SEFA contained the errors identified in the *Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY15 and FY16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Eligibility

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had established a control that included dual approval of all food service purchases by the Treasurer and Food Service Director. However, 15 percent of the Accounts Payable Vouchers (claims) tested for control effectiveness, were signed by only the Treasurer indicating approval, the signature of the Food Service Director indicating approval was not present on these claims.

Eligibility

The School Corporation had not established an effective control to ensure that the eligibility determinations for free and reduced price meals were accurate. No secondary review of eligibility determinations for paper or online applications for free and reduced price meals was completed at the School Corporation. One employee processed the applications for free and reduced price meals, which included determining eligibility, without oversight or review.

Context

This was a systemic problem with the Child Nutrition Cluster. Controls did not exist over the compliance requirements listed above during the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15 and FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded. An oversight, review, or approval process had not been established.

All monthly receipts from food sales, as well as prepayments for meals, were recorded directly in the School Lunch fund; prepayments were not recorded in a Prepaid Food fund. Due to the method of recordkeeping, Program Income could not be audited for either school year.

Context

This was a systemic issue. The School Corporation's procedures for recording revenues in the School Lunch fund prevented the ability to determine whether the School Corporation was in compliance with the Program Income compliance requirement for the entire audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit.

Effect

The failure to establish effective internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Program Income compliance requirement.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-005

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15 and FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. Procedures established to ensure that the School Corporation's School Lunch fund balance was within the accepted amount were not effective.

The School Corporation did not monitor the net cash resources of the School Lunch fund and failed to ensure that the amount did not exceed the three months average expenditures. The School Corporation also failed to develop and submit a plan as required by the Indiana Department of Education to ensure that the grant fund's net cash resources would not exceed the three months average expenditures in the future.

Context

The lack of internal controls and existence of noncompliance were systemic problems. The net cash resources in the School Lunch fund exceeded the three months average expenditures for 22 of the 24 months within the audit period. The average excess balances were \$53,009 and \$80,997 for fiscal year 2015 and fiscal year 2016, respectively.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation had not designed or implemented a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15 and FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Procedures were not established to ensure that the School Corporation followed procurement guidelines or verified whether vendors were suspended or debarred.

The School Corporation did not have a procurement policy in place, nor did they verify that vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to accepting bids. An oversight, review, or approval process had not been established.

Context

The ineffectiveness of controls over and noncompliance with the Procurement and Suspension and Debarment compliance requirement applied to both years of the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above and that the School Corporation's management comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-007

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14215-007-PN01, 45715-007-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreements and the Reporting compliance requirement.

The School Corporation did not design or implement adequate policies and procedures to ensure that all Reporting requirements were followed. Two of the four Final Expenditure Reports were not properly filed.

Context

The lack of controls and noncompliance were an isolated issue as the issue was just for the fiscal year 2015.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 80.41 states in part:

"(a) *General.*

(1) Except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for:

(i) Submitting financial reports to Federal agencies, . . ."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

CLAY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (1) *Financial Reporting.* Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Cause

The School Corporation's management had not designed or implemented internal control procedures to ensure compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreements and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreements and comply with the Reporting compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Mr. Jeffery Fritz, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard II, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
Mr. Mark Shayotovich, Director of Business Affairs
Mr. Ernie Simpson, Director of Human Resources

1013 S. Forest Avenue
Brazil, IN 47834
Phone: 812-443-4461
Fax: 812-442-0849

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

Description of Corrective Action Plan

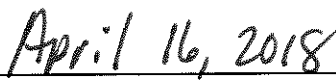
Beginning in May 2018, we will add two additional internal control measures to our receipts function:

1. All mail coming in, or patrons who come in to pay in person, will be handled by front office personnel. Front office personnel will take payment and write receipts. Front office Personnel will record payments on book rental or laptop damages into PowerSchool and turn over cash and checks to the deputy treasurer for deposit in the bank and receipt into Komputrol.
2. After receipting payments into Komputrol and prior to depositing monies into the bank, the deputy treasurer will allow the insurance clerk to review the Receipt Posing Journal from Komputrol with bank deposit documentation. The insurance clerk will sign off if the reports are in agreement.

Anticipated Completion Date: May, 2018



Mark Shayotovich, Director of Business Affairs



Date

Dr. Kimberly Tucker, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
Mrs. Carolyn Kumpf, Director of Personnel, Data, & Food Services
Mr. Mark Shayotovich, Director of Business Affairs

1013 S. Forest Avenue
Brazil, IN 47834
Phone: 812-443-4461
Fax: 812-442-0849

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

Description of Corrective Action Plan


Each year, a list of all federal awards will be compiled with the assistance of the Deputy Treasurer, Assistant Superintendent, Director of Special Services, Curriculum and Grants Coordinator, Director of Food Services, Director of Extended Services, and Director of Human Resources. In addition to ongoing conversations to best identify federal grants, the deputy treasurer will perform an annual review of all notifications of deposit. A list will be prepared of all deposits that have a corresponding CFDA #. The Director of Business Affairs will review the list in addition to the notifications of deposit to ensure the list's completeness.

The director of Business Affairs will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The Deputy Treasurer will be provided with the finalized list of all federal awards for the fiscal year (referenced in the above paragraph) and cross reference it with the SEFA to ensure its completeness. Once considered complete by both the Deputy Treasurer and the Director of Business Affairs, the SEFA will be submitted by the Director of Business Affairs as part of the Annual Financial Report through Gateway.

Anticipated Completion Date: July/August, 2018



Mark Shayotovich, Director of Business Affairs



Date

Mr. Jeffery Fritz, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard II, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
Mr. Mark Shayotovich, Director of Business Affairs
Mr. Ernie Simpson, Director of Human Resources

1013 S. Forest Avenue
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Phone: 812-443-4461
Fax: 812-442-0849

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

Description of Corrective Action Plan


Beginning in May, 2018 the Treasurer will not sign off on any claims from Fund 800 that have not been authorized by the Director of Food Services. Currently, all material food and equipment claims are authorized by the Director of Food Services, but some miscellaneous and otherwise immaterial claims are authorized solely by the treasurer.

Beginning in July, 2018, the Director Business Affairs will review the sampling method and sample selection for Free and Reduced Eligibility verification. The Director of Business Affairs will review and sign off verification documents received and eligibility results drawn.

Anticipated Completion Date: May, 2018
July, 2018



Mark Shayotovich, Director of Business Affairs



Date

Mr. Jeffery Fritz, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard II, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
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CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610


Description of Corrective Action Plan

Beginning in January, 2018 Clay Community Schools implemented the use of Fund 8400 to account for prepaid food service. This occurred concurrently with our district beginning to accept online credit card payments through the use of a third party. Appropriate receipt accounts have been set up and are being utilized. At the end of each semester, the Director Business Affairs and the Deputy Treasurer will perform appropriate reconciliations and consequent revenue recognition in Fund 800 for food service dollars earned in the period.

Anticipated Completion Date: January, 2018



Mark Shayotovich, Director of Business Affairs



Date

Mr. Jeffery Fritz, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard II, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
Mr. Mark Shayotovich, Director of Business Affairs
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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

Description of Corrective Action Plan

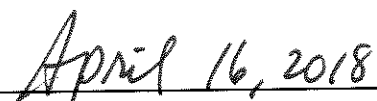
Beginning in May 2018, we will add two additional internal control measures to the School Lunch Fund Cash Management Function.

1. The Director of Food Services will begin preparing the Monthly Food Services Report. In addition to other functional data, the report will include a calculation of three month average expenditures and a related comparison to the month ending cash balance in the school lunch fund.
2. The Monthly Food Services Report will be reviewed by the Director of Human Resources. The Director of Human Resources will sign off on the report and pass it along to the Director of Business Affairs who will review the calculation and comparison, and determine if action needs to be taken.

Anticipated Completion Date: May, 2018



Mark Shayotovich, Director of Business Affairs



Date

Mr. Jeffery Fritz, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard II, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

Description of Corrective Action Plan


Beginning in FY 2018, we will added two additional internal control measures to our School Lunch Fund Procurement Procedures.

1. On August 7, 2017 we implemented a new Child Nutrition Procurement Plan. This plan expanded upon our general corporation procurement procedures by adding additional Child Nutrition Program related procedures. The plan was put into practice, but not taken to the board as official policy.
2. In March 2018, The Food Services Director began using SAM to review vendors for potential debarment or suspension. This will become an annual procedure to take place in August prior to the start of school, and will be written into the Child Nutrition Procurement Plan referenced above. This will take place in May 2018. The policy will then be taken to the board with the expectation it will become board policy in August 2018.

Anticipated Completion Date: May - August, 2018



Mark Shayotovich, Director of Business Affairs



Date

Mr. Jeffery Fritz, Superintendent
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction
Mr. Michael Howard II, Director of Extended Services
Mrs. Kathy Knust, Curriculum and Grants Coordinator
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CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

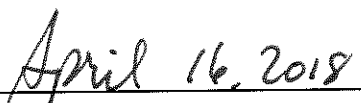
Description of Corrective Action Plan

Beginning in FY 2018, the Director of Business Affairs will conduct a Grant Closing Conference. A checklist will be created to ensure all requirements for grant close out are completed. The checklist will be created by the Director of Business Affairs and the Director of Special Services. The checklist, which will include an action step for submitting a final report, will be completed by the Director of Special Services and reviewed at the grant closing conference. The Director of Business Affairs will review and sign off on the checklist and submit the final report.

Anticipated Completion Date: September 30, 2018



Mark Shayotovich, Director of Business Affairs



Date

CLAY COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

PREPAID SCHOOL LUNCH ACCOUNT

The same comment also appeared in prior Report B45118.

Receipts from students who prepaid for food were receipted directly into the School Lunch fund (Fund 800) instead of a clearing account for prepaid food (Fund 8400) during the entire audit period. A clearing account fund for prepaid meals had not been established in the School Corporation records.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

CLAY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2018, with Jeffery Fritz, Superintendent of Schools; Mark Shayotovich, Director of Business Affairs; Ernie Simpson, Director of Personnel, Data, and Food Service; Patty Dyer, Food Service Director; and Kevin Kumpf, President of the School Board.